THE LOTOS GROUP

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED JUNE 30TH 2005 AND JUNE 30TH 2004 PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Translation of a document originally issued in Polish

SELECTED CONSOLIDATED FINANCIAL DATA FOR THE PERIOD JANUARY 1ST–JUNE 30TH 2005

	PLN '000		EUR '000	
THE LOTOS GROUP	Q1 and Q2 cumulative Jan 1–Jun 30 2005	Q1 and Q2 cumulative Jan 1–Jun 30 2004	Q1 and Q2 cumulative Jan 1–Jun 30 2005	Q1 and Q2 cumulative Jan 1–Jun 30 2004
Sales revenue	3,631,881	3,318,830	890,058	701,492
Pre-tax profit	196,106	187,681	48,059	39,670
Net profit	141,345	136,975	34,639	28,952
Net cash provided by/(used in) operating activities	295,588	18,900	72,439	3,995
Net cash provided by/(used in) investing activities	(746,795)	(30,272)	(183,015)	(6,399)
Net cash provided by/(used in) financing activities	861,096	(55,513)	211,027	(11,734)
Total net cash flow	409,889	(66,885)	100,451	(14,137)
	PLN '000		EUR '000	
	As at Jun 30 2005	As at Dec 31 2004	As at Jun 30 2005	As at Dec 31 2004
Total assets	6,123,497	4,022,527	1,515,680	986,155
Equity	3,778,499	2,642,630	935,249	647,862
Basic earnings/(loss) per ordinary share (PLN/EUR)	1.78	1.73	0.44	0.37
Diluted earnings/(loss) per ordinary share (PLN/EUR)				

SELECTED NON-CONSOLIDATED FINANCIAL DATA FOR THE PERIOD JANUARY 1ST–JUNE 30TH 2005

	PLN '000		EUR '000	
GRUPA LOTOS SA	Q1 and Q2 cumulative Jan 1–Jun 30 2005	Q1 and Q2 cumulative Jan 1–Jun 30 2004	Q1 and Q2 cumulative Jan 1–Jun 30 2005	Q1 and Q2 cumulative Jan 1–Jun 30 2004
Sales revenue	3,117,793	2,943,171	764,071	622,090
Pre-tax profit	234,057	180,861	57,360	38,228
Net profit	198,418	135,977	48,626	28,741
Net cash provided by/(used in) operating activities	120,758	(19,691)	29,594	(4,162)
Net cash provided by/(used in) investing activities	(811,852)	35,893	(198,959)	7,587
Net cash provided by/(used in) financing activities	844,070	(50,497)	206,855	(10,673)
Total net cash flow	152,976	(34,295)	37,490	(7,249)
	PLN '000		EUR '000	
	As at Jun 30 2005	As at Dec 31 2004	As at Jun 30 2005	As at Dec 31 2004
Total assets	5,142,099	3,720,033	1,272,765	911,996
Equity	3,744,583	2,552,354	926,854	625,730
Basic earnings/(loss) per ordinary share (PLN/EUR)	2.50	1.72	0.61	0.36
Diluted earnings/(loss) per ordinary share (PLN/EUR)	-	-	-	-

THE LOTOS GROUP
CONSOLIDATED BALANCE SHEETS
as at June 30th 2005 and December 31st 2004

PLN '000	Jun 30 2005 PLN '000 (unaudited)	Dec 31 2004 PLN '000 (unaudited)
ASSETS		
Non-current assets		
Property, plant and equipment	2,772,264	2,139,493
Goodwill	11,871	11,871
Intangible assets	46,659	45,559
Property investments	6,000	231
Investments in associated undertakings	85,340	27,572
Financial assets	211,317	6,165
Deferred tax asset	25,277	9,209
Other non-current assets	10,869	486
Total non-current assets	**3,169,597**	**2,240,586**
Current assets		
Inventories	1,139,785	828,683
Trade and other receivables	947,973	735,271
Income tax receivables	1,005	13,677
Prepayments	22,014	4,728
Short-term securities	275,670	43,234
Cash and cash equivalents	567,453	156,348
Total current assets	**2,953,900**	**1,781,941**
Total assets	**6,123,497**	**4,022,527**

THE LOTOS GROUP
CONSOLIDATED BALANCE SHEETS
as at June 30th 2005 and December 31st 2004

PLN '000	Jun 30 2005 PLN '000 (unaudited)	Dec 31 2004 PLN '000 (unaudited)
EQUITY AND LIABILITIES		
Equity		
Share capital	113,700	78,700
Reserve funds	970,951	-
Retained earnings	2,690,581	2,563,930
Currency-translation differences	3,267	-
Total equity	**3,778,499**	**2,642,630**
Minority interests	**125,139**	**14,882**
Non-current liabilities		
Loans and borrowings	105,180	143,737
Non-current provisions	147,073	42,090
Deferred tax liability	184,099	190,960
Other (financial) liabilities	3,078	69
Total non-current liabilities	**439,430**	**376,856**
Current liabilities		
Liabilities and accruals and deferred income	1,152,014	747,631
Income tax liabilities	19,103	455
Loans and borrowings	233,715	184,571
Current provisions	325,263	55,502
Other liabilities	39,895	-
Other financial liabilities	10,439	-
Total current liabilities	**1,780,429**	**988,159**
Total equity and liabilities	**6,123,497**	**4,022,527**

Translation of a document originally issued in Polish

THE LOTOS GROUP
CONSOLIDATED PROFIT AND LOSS ACCOUNTS
for three and six months ended June 30th 2005 and June 30th 2004

PLN '000	3 months ended Jun 30 2005 PLN '000 (unaudited)	6 months ended Jun 30 2005 PLN '000 (unaudited)	3 months ended Jun 30 2004 PLN '000 (unaudited)	6 months ended Jun 30 2004 PLN '000 (unaudited)
Sales revenue	2,146,042	3,631,881	1,829,207	3,318,830
Cost of sales	(1,861,910)	(3,133,535)	(1,491,755)	(2,754,197)
Net profit/(loss) on sales	**284,132**	**498,346**	**337,452**	**564,633**
Other operating income	4,220	14,102	6,462	12,463
Selling costs	(104,145)	(171,859)	(110,026)	(171,974)
General and administrative expenses	(60,924)	(127,309)	(43,156)	(93,656)
Other operating expenses	(9,111)	(14,921)	(107,839)	(109,205)
Operating profit	**114,172**	**198,359**	**82,893**	**202,261**
Financial income	17,021	29,529	28,392	41,976
Financial expenses	(32,911)	(47,481)	(27,105)	(60,834)
Interest in investments in associated undertakings	(2,560)	(391)	824	4,278
Sale of investments in associated undertakings	16,090	16,090	-	-
Pre-tax profit	**111,812**	**196,106**	**85,004**	**187,681**
Corporate income tax	(13,109)	(43,626)	(28,660)	(49,651)
Profit after tax	**98,703**	**152,480**	**56,344**	**138,030**
Profit attributable to minority shareholders	(10,112)	(11,135)	(196)	(1,055)
Net profit	**88,591**	**141,345**	**56,148**	**136,975**
Earnings per share				
- basic	1.12	1.78	0.71	1.73
- diluted	-	-	-	-

Translation of a document originally issued in Polish

THE LOTOS GROUP
CONSOLIDATED CASH-FLOW STATEMENTS
for six months ended June 30th 2005 and June 30th 2004

PLN '000	6 months ended Jun 30 2005 PLN '000 (unaudited)	6 months ended Jun 30 2004 PLN '000 (unaudited)
Cash flows from operating activities		
Net profit	**141,345**	**136,975**
Adjustments:		
Profit attributable to minority interests	11,135	1,055
Share in net profit/(loss) of subordinated undertakings valued under equity method	391	(4,278)
Depreciation and amortisation	123,776	93,179
Foreign exchange gains/(losses)	(1,436)	(12,999)
Net interest and dividend paid	8,735	6,006
(Profit)/loss on investing activities	(47)	54,187
Current income tax	43,626	49,651
Income tax paid	(41,079)	(44,836)
Increase in receivables	(61,870)	(252,007)
Increase in inventories	(173,209)	(157,568)
Increase in liabilities	258,038	97,648
Increase/(decrease) in provisions	(2,409)	38,964
Increase/(decrease) in prepayments and accrued income	(17,153)	6,237
Increase/(decrease) in accruals and deferred income	3,520	(6,023)
Other, net	2,225	12,709
Net cash provided by/(used in) operating activities	**295,588**	**18,900**
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	6,745	461
Sale of shares, including shares in associated undertaking	41,648	-
Dividends and interest received	31,738	6,369
Acquisition of property, plant and equipment and intangible assets	(298,043)	(80,546)
Acquisition of non-current financial assets, including:	(115,608)	(4,395)
- acquisition of subsidiary undertakings net of cash acquired	(115,108)	-
Acquisition of current financial assets	(2,895,981)	(2,953,225)
Sale of current financial assets	2,483,106	3,038,891
Other, net	(400)	(37,827)
Net cash provided by/(used in) investing activities	**(746,795)**	**(30,272)**
Cash flows from financing activities		
Increase in loans and borrowings	58,203	149,760
Share issue	1,015,000	-
Repayment of loans and borrowings	(171,381)	(192,031)
Interest paid	(10,475)	(6,860)
Dividends paid	(18,294)	-
Other, net	(11,957)	(6,382)
Net cash provided by/(used in) financing activities	**861,096**	**(55,513)**
Change in cash on account of foreign exchange (gains)/losses	-	-
Change in net cash	**409,889**	**(66,885)**
Cash at beginning of period	**157,564**	**176,170**
Cash at end of period	**567,453**	**109,285**

Translation of a document originally issued in Polish

THE LOTOS GROUP
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY
for six months ended June 30th 2005 and June 30th 2004

PLN '000	Share capital	Reserve funds	Revaluation capital reserve	Retained earnings	Currency-translation differences	Total equity
Jan 1 2004*	**78,700**	**1,050,926**	**93,111**	**302,614**	**-**	**1,525,351**
Change in accounting standards and policies	-	-	-	580,689	-	580,689
Transfers	-	(1,050,926)	(93,111)	1,144,037	-	-
Jan 1 2004 – adjusted (unaudited)	**78,700**	**-**	**-**	**2,027,340**	**-**	**2,106,040**
Net profit for 6 months ended Jun 30 2004	-	-	-	136,975	-	136,975
Dividends to shareholders from 2003 profit distribution	-	-	-	(6,217)	-	(6,217)
Jun 30 2004 (unaudited)	**78,700**	**-**	**-**	**2,158,098**	**-**	**2,236,798**
Jan 1 2005*	**78,700**	**1,317,218**	**86,531**	**598,887**	**-**	**2,081,336**
Change in accounting standards and policies	-	-	-	561,294	-	561,294
Transfers	-	(1,317,218)	(86,531)	1,403,749	-	-
Jan 1 2005 – adjusted (unaudited)	**78,700**	**-**	**-**	**2,563,930**	**-**	**2,642,630**
Net profit for 6 months ended Jun 30 2005	-	-	-	141,345	-	141,345
Dividends to shareholders from Parent Undertaking's 2004 profit distribution	-	-	-	(15,740)	-	(15,740)
New share issue	35,000	-	-	-	-	35,000
Share premium	-	980,000	-	-	-	980,000
Issue expenses including income tax	-	(9,049)	-	-	-	(9,049)
Other	-	-	-	3,600	-	3,600
Dividends of the Group's companies	-	-	-	(2,554)	-	(2,554)
Changes in the Group's structure	–	–	–	–	3,267	3,267
Jun 30 2005 (unaudited)	**113,700**	**970,951**	**-**	**2,690,581**	**3,267**	**3,778,499**

* Based on financial statements prepared in accordance with PAS.

GRUPA LOTOS SA
BALANCE-SHEETS
as at June 30th 2005 and December 31st 2004

PLN '000	Jun 30 2005 PLN '000 (unaudited)	Dec 31 2004 PLN '000 (unaudited)
ASSETS		
Non-current assets		
Property, plant and equipment	1,888,272	1,801,271
Intangible assets	43,470	43,911
Investments in associated undertakings	150	14,119
Financial assets	710,813	238,785
	2,642,705	**2,098,086**
Current assets		
Inventories	972,312	768,075
Trade and other receivables	1,011,216	718,410
Income tax receivables	-	7,859
Prepayments	7,646	3,494
Current financial assets	274,369	43,234
Cash and cash equivalents	233,851	80,875
	2,499,394	**1,621,947**
Total assets	**5,142,099**	**3,720,033**

GRUPA LOTOS SA
BALANCE-SHEETS
as at June 30th 2005 and December 31st 2004

PLN '000	Jun 30 2005 PLN '000 (unaudited)	Dec 31 2004 PLN '000 (unaudited)
EQUITY AND LIABILITIES		
Equity		
Share capital	113,700	78,700
Reserve funds	970,951	-
Retained earnings/(deficit)	2,659,932	2,473,654
Total equity	**3,744,583**	**2,552,354**
Non-current liabilities		
Loans and borrowings	-	112,289
Non-current provisions	14,652	15,442
Deferred tax liability	183,753	190,959
Total non-current liabilities	**198,405**	**318,690**
Current liabilities		
Liabilities and accruals and deferred income	996,620	620,798
Income tax liability	14,095	-
Loans and borrowings	144,407	177,544
Current provisions	43,989	50,647
Total current liabilities	**1,199,111**	**848,989**
Total equity and liabilities	**5,142,099**	**3,720,033**

GRUPA LOTOS SA
PROFIT AND LOSS ACCOUNTS
for three and six months ended June 30th 2005 and June 30th 2004

PLN '000	3 months ended Jun 30 2005 PLN '000 (unaudited)	6 months ended Jun 30 2005 PLN '000 (unaudited)	3 months ended Jun 30 2004 PLN '000 (unaudited)	6 months ended Jun 30 2004 PLN '000 (unaudited)
Sales revenue	1,818,828	3,117,793	1,588,148	2,943,171
Cost of sales	(1,633,063)	(2,750,876)	(1,324,773)	(2,497,737)
Net profit/(loss) on sales	**185,765**	**366,917**	**263,375**	**445,434**
Other operating income	5,370	5,451	5,275	10,198
Selling costs	(69,747)	(129,347)	(65,332)	(115,899)
General and administrative expenses	(37,016)	(71,727)	(24,862)	(59,705)
Other operating expenses	-	(1,116)	(103,629)	(103,984)
Operating profit	**84,372**	**170,178**	**74,827**	**176,044**
Financial income	91,736	101,006	50,601	63,188
Financial expenses	(30,640)	(37,127)	(25,785)	(58,371)
Pre-tax profit	**145,468**	**234,057**	**99,643**	**180,861**
Corporate income tax	(18,437)	(35,639)	(28,924)	(44,884)
Net profit	**127,031**	**198,418**	**70,719**	**135,977**
Earnings per share				
- basic	1.60	2.50	0.89	1.72
- diluted	-	-	-	-

GRUPA LOTOS SA
CASH-FLOW STATEMENTS
for six months ended June 30th 2005 and June 30th 2004

PLN '000	6 months ended Jun 30 2005 PLN '000 (unaudited)	6 months ended Jun 30 2004 PLN '000 (unaudited)
Cash flows from operating activities		
Net profit	**198,418**	**135,977**
Adjustments:		
Depreciation and amortisation	84,519	81,419
Foreign exchange gains/(losses)	(1,484)	(12,999)
Net interest and dividend paid	(45,534)	(18,565)
(Profit)/loss on investing activities	(10,068)	54,309
Current income tax	35,639	44,884
Income tax paid	(18,767)	(38,938)
Increase in receivables	(269,205)	(242,835)
Increase in inventories	(204,237)	(112,811)
Increase in liabilities	359,203	49,029
Increase/(decrease) in accruals and deferred income	(1,520)	699
Increase/(decrease) in provisions	(2,055)	32,670
Increase/(decrease) in prepayments and accrued income	(4,151)	(4,626)
Other, net	-	12,096
Net cash provided by/(used in) operating activities	**120,758**	**(19,691)**
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	757	22,155
Sale of non-current financial assets	41,648	-
Dividends and interest received	27,786	8,053
Acquisition of property, plant and equipment and intangible assets	(171,680)	(30,547)
Acquisition of non-current financial assets	(260,349)	(8,379)
Acquisition of current financial assets	(2,895,982)	(2,541,467)
Sale of current financial assets	2,470,568	2,601,082
Other, net	(24,600)	(15,004)
Net cash provided by/(used in) investing activities	**(811,852)**	**35,893**
Cash flows from financing activities		
Increase in loans and borrowings	991	132,897
Share issue	1,015,000	-
Repayment of loans and borrowings	(144,670)	(171,438)
Interest paid	(6,117)	(5,719)
Dividends paid	(15,740)	-
Other, net	(5,394)	(6,237)
Net cash provided by/(used in) financing activities	**844,070**	**(50,497)**
Change in cash on account of foreign exchange (gains)/losses	-	-
Change in net cash	**152,976**	**(34,295)**
Cash at beginning of period	**80,875**	**50,588**
Cash at end of period	**233,851**	**16,293**

GRUPA LOTOS SA
STATEMENT OF CHANGES IN EQUITY
for six and three months ended June 30th 2005 and June 30th 2004

PLN '000	Share capital	Reserve funds	Revaluation capital reserve	Retained earnings	Total equity
Jan 1 2004*	**78,700**	**1,050,080**	**93,111**	**257,838**	**1,479,729**
Change in accounting standards and policies	-	-	-	583,427	583,427
Transfers	-	(1,050,080)	(93,111)	1,143,191	-
Jan 1 2004 — adjusted (unaudited)	**78,700**	**-**	**-**	**1,984,456**	**2,063,156**
Net profit for 6 months ended Jun 30 2004	-	-	-	135,977	135,977
Dividends to shareholders from 2003 profit distribution	-	-	-	(6,217)	(6,217)
Jun 30 2004 (unaudited)	**78,700**	**-**	**-**	**2,114,216**	**2,192,916**
Jan 1 2005*	**78,700**	**1,290,181**	**86,531**	**544,034**	**1,999,446**
Change in accounting standards and policies	-	-	-	552,908	552,908
Transfers	-	(1,290,181)	(86,531)	1,376,712	-
Jan 1 2005 – adjusted (unaudited)	**78,700**	**-**	**-**	**2,473,654**	**2,552,354**
Net profit for six months ended Jun 30 2005	-	-	-	198,418	198,418
Dividends to shareholders from 2004 profit distribution	-	-	-	(15,740)	(15,740)
Share issue	35,000	-	-	-	35,000
Share premium	-	980,000	-	-	980,000
Issue expenses including income tax	-	(9,049)	-	-	(9,049)
Other	-	-	-	3,600	3,600
Jun 30 2005 (unaudited)	**113,700**	**970,951**	**-**	**2,659,932**	**3,744,583**

* Based on financial statements prepared in accordance with PAS.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR SIX MONTHS ENDED JUNE 30TH 2005

1. General Information

Grupa LOTOS SA ("the Company", "the Parent Undertaking"), the parent undertaking of the LOTOS Group ("the Group") was established by virtue of the Notarial Deed dated September 18th 1991. On April 10th 2002, the Company was entered into the National Court Register maintained by the District Court of Gdańsk, XII Commercial Division of the National Court Register, under entry No. KRS 0000106150. The Company was assigned the Industry Identification Number (REGON) 190541636.

The Company's registered office is situated at ul. Elbląska 135, 80-718 Gdańsk, Poland.

In 2003, by virtue of its decision of May 28th 2003, the District Court of Gdańsk, XII Commercial Division of the National Court Register, changed the Company's name from Rafineria Gdańska Spółka Akcyjna to Grupa LOTOS Spółka Akcyjna.

The Group's core business consists in the production and processing of refined petroleum products and their wholesale and retail sale. The Group's business also includes exploration and extraction of crude oil and natural gas reserves.

2. Composition of the Group

Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group	
				Jun 30 2005	**Jun 30 2004**
Parent Undertaking					
Grupa LOTOS SA		production and processing of refined petroleum products (mainly fuels) and their wholesale	full	Not applicable	Not applicable
Direct Subsidiary Undertakings					
LOTOS Paliwa Sp. z o.o.	Gdańsk	wholesale and retail sale of fuels, light fuel oil, management of the LOTOS service station network	full	100.00%	100.00%
LOTOS Partner Sp. z o.o.	Gdańsk*	sales of fuels and provision of services for retail networks of international concerns; logistic services	full	100.00%	100.00%
LOTOS Mazowsze SA	Mława	sales of LPG, heavy fuel oil and special products (sulphur, plasticizers, fuels containing recycled components)	full	100.00%	75.00%
LOTOS Oil SA	Gdańsk	production and sale of lubricating oils and lubricants, and domestic sales of base oils	full	100.00%	100.00%
LOTOS Asfalt Sp. z o.o.	Gdańsk	production and sale of bitumens	full	100.00%	100.00%
LOTOS Ekoenergia SA	Gdańsk	construction of basic CTUP units; the company has not commenced operations	full	100.00%	100.00%
LOTOS Kolej Sp. z o.o.	Gdańsk	railway transport	full	100.00%	100.00%
LOTOS Serwis Sp. z o.o.	Gdańsk	maintenance of mechanical and electric operations and controlling devices, repairs	full	100.00%	100.00%
LOTOS Lab Sp. z o.o.	Gdańsk	laboratory testing	full	100.00%	100.00%
LOTOS Straż Sp. z o.o.	Gdańsk	fire protection	full	100.00%	100.00%
LOTOS Ochrona Sp. z o.o.	Gdańsk	personal and property protection	full	87.44%	87.44%
LOTOS Parafiny Sp. z o.o.	Jasło	production and sale of paraffin	full	85.22%	-

Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group	
				Jun 30 2005	**Jun 30 2004**
Rafineria Czechowice SA (parent undertaking of another group)	Czechowice	production and processing of refined petroleum products and their wholesale	full	80.04%	-
Rafineria Jasło SA (parent undertaking of another group)	Jasło	production and processing of refined petroleum products and their wholesale and retail sale	full	80.01%	-
Petrobaltic SA (parent undertaking of another group)	Gdańsk	acquisition of reserves, crude oil and natural gas production	full	69.00%	-
UAB LOTOS Baltija	Lithuania	wholesale and retail sale of lubricating oils in Lithuania, Belarus, Ukraine and Latvia	not consolidated due to immateriality	60.29%	51.26%
BiproRaf Sp. z o.o.	Gdańsk	design services for oil industry	not consolidated due to immateriality	50.00%	50.00%
Rafineria Nafty Glimar SA	Gorlice	refining (currently discontinued due to the company's bankruptcy)	not consolidated due to bankruptcy	91.54%	-
LOTOS Hydrokompleks Sp. z o.o.	Gorlice	construction and subsequent operation of hydrocomplex unit; the company has not commenced operations	not consolidated due to immateriality	100.00%	-
LOTOS Park Technologiczny Sp. z o.o.	Gorlice	management of the Glimar Refinery assets	not consolidated due to immateriality	100.00%	-
Indirect Subsidiary Undertakings					
RCEkoenergia Sp. z o.o	Czechowice-Dziedzice	services	full	80.04%	-
RCParafiny Sp. z o.o.	Czechowice-Dziedzice	no operations – assets transferred to LOTOS Parafiny in exchange for shares	full	80.04%	-
RCRemo Sp. z o.o.	Czechowice-Dziedzice	services	full	80.04%	-
CBA Racer Sp. z o.o.	Czechowice-Dziedzice	services	full	80.04%	-
RCSerwis Sp. z o.o.	Czechowice-Dziedzice	services	equity method	80.04%	-
RCPaliwa Sp. z o.o.	Czechowice-Dziedzice	trading (not commenced yet)	equity method	80.04%	-
RCTransport Sp. z o.o.	Czechowice-Dziedzice	services	equity method	80.04%	-
Jasbit – Rafineria Jasło Sp. z o.o. in liquidation	Jasło	no operations (the company is in liquidation)	full	80.01%	-
LOTOS Tank Sp. z o.o.	Jasło	trading	full	86.01%	30.00%
Rafineria Jasło Monto-Rem Sp. z o.o.	Jasło	services	full	79.56%	-
Plastekol Organizacja Odzysku SA	Jasło	services	full	53.61%	-
Rafineria Jasło Sped-Kol Sp. z o.o.	Jasło	no operations – lease of assets to LOTOS Kolej	not consolidated due to immateriality	80.01%	-
Petrosoft.pl Technologie Informatyczne Sp. z o.o.	Jasło	services	not consolidated due to immateriality	80.01%	-

Name	Registered office	Business profile	Method of consolidation /valuation of shares	Percentage of share capital held by the Group	
				Jun 30 2005	**Jun 30 2004**
Laboratorium „Badacz" Sp. z o.o.	Jasło	services	not consolidated due to immateriality	80.01%	-
Chemipetrol Sp. z o.o.	Jasło	trading – assets transferred to LOTOS Parafiny in exchange for shares	not consolidated due to immateriality	80.01%	-
Miliana Shipping Company Ltd.	Cyprus	services	full	68.93%	-
Aphrodite Offshore Services Ltd.	Netherlands Antilles	services	not consolidated due to immateriality	69.00%	-

Associated Undartakings

Energobaltic Sp. z o.o.	Gdańsk	manufacturing	equity method	32.16%	-
UAB Naftos Gavyba	Klaipeda, Lithuania	service activities	equity method	29.46%	-
AB Geonafta	Gargždai, Lithuania	crude oil production	equity method	27.60%	-
UAB Minijos Nafta	Gargždai, Lithuania	crude oil production	equity method	13.80%	-
UAB Genciu Nafta	Klaipeda, Lithuania	crude oil production	equity method	13.80%	-
UAB Manifoldas	Gargždai, Lithuania	crude oil production	equity method	13.80%	-
UAB Gelmiu Turtaj	Gargždai, Lithuania	exploration of new hydrocarbon reserves	at acquisition cost	19.95%	-
Naftoport Sp. z o.o.	Gdańsk	operation of reloading terminals for crude oil and petroleum products	equity method	**	25.64%

** Since January 15th 2005.*

*** See Note 15.*

As at June 30th 2005 and as at June 30th 2004 the Group's share in the total vote at general shareholders meetings of its subsidiary undertakings equals the Group's share in the share capital of these undertakings.

3. Presentation of Items in these Financial Statements

For the purposes of the preparation of these consolidated financial statements, the Group adopted the International Financial Reporting Standards ("IFRS") as in force as at March 31st 2005. The IFRS include the standards and interpretations approved by the International Accounting Standards Board ("IASB") and by the International Financial Reporting Interpretation Committee ("IFRIC"), which were later approved by the European Union.

In 2003, the IASB issued IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), whose adoption is obligatory when preparing financial statements for periods beginning on January 1st 2004 or later. Given that the Group did not prepare any consolidated financial statements in accordance with IFRS in the past, it will apply IFRS 1 in its first consolidated financial statements prepared under IFRS, namely the financial statements for the year ended December 31st 2005.

In particular, IFRS 1 requires disclosure in the opening balance prepared in accordance with IFRS of all assets, equity and liabilities which are required to be disclosed under IFRS. IFRS 1 permits valuation of a portion of an undertaking's property, plant and equipment at fair value as at the date of transition to IFRS, and using that fair value as the deemed cost of property, plant and equipment as at that date. The Group commenced measuring its property, plant and equipment at fair value as at the date of transition, and recognising that value as the deemed cost of these assets as at the transition date. The Parent Undertaking determined provisional values and disclosed adjustments to the opening balance as at January 1st 2004 (see Note 5). However, due to its time-consuming nature, the valuation at the Group has not been completed yet, therefore the adjustments and the opening balance figures determined to date may change.

In these consolidated financial statements, the Parent Undertaking disclosed the financial data of the Group of Przedsiębiorstwo Poszukiwań i Eksploatacji Złóż Ropy i Gazu Petrobaltic ("GK Petrobaltic") for the six months ended June 30th 2005, assuming that GK Petrobaltic accounts for the shares in Naftos Gavyba, its associated undertaking, using the equity method as at December 31st 2004, taking into account the dividend paid for 2004 in the six months ended June 30th 2005. The consolidated financial statements of the NG Group ("NG Group"), prepared in line with the accounting policies applicable in Lithuania, served as the basis for disclosure in the consolidated financial statements of NG's value corresponding to the number of shares held by Petrobaltic in NG.

The measurement and reporting currency of these consolidated financial statements is the Polish złoty (PLN).

The figures in these consolidated financial statements are presented in PLN '000.

The financial data as at June 30th 2005 and for the six months ended June 30th 2005, as well as the comparable financial data as at December 31st 2004 and for the six months ended June 30th 2004, contained in these condensed consolidated financial statements, were not audited.

These condensed consolidated financial statements were prepared assuming that the Group companies would continue as going concerns in the foreseeable future. As at the date of signing these condensed financial statements there exist no circumstances which would indicate any threat to the Group companies continuing as going concerns.

4. Accounting Policies

These consolidated financial statements were prepared on the historical cost basis, except for financial instruments valued at fair value. As stated in Note 5, as at the date of first-time adoption of IFRS as the basis of accounting, the items of property, plant and equipment and intangible assets were recognised at their fair value, which was assumed as their adjusted initial value. The key accounting policies adopted by the Group are presented below.

a) Basis for Consolidation

The consolidated financial statements include the financial statements of the Parent Undertaking and financial statements of the key undertakings it controls, prepared as at the balance-sheet date. The Company is deemed to exercise control over an undertaking if it holds directly or indirectly, through its subsidiaries, over 50% of the total vote in the governing bodies of such an undertaking, unless it can be proved that such holding does not result in exercising control. Control is also exercised when the parent undertaking is able to influence the financial and operating policy of the subordinated undertaking so as to derive benefits from its activities.
Subsidiary undertakings are subject to consolidation as of the moment when the Group assumes control over them and cease to be consolidated when the control is lost.
For the purposes of consolidation, all significant balances and transactions between consolidated undertakings were eliminated.

The consolidated financial statements were prepared in accordance with uniform accounting policies consistently applied for transactions and events of similar nature.

b) Investments in Associated Undertakings

An associated undertaking is an undertaking where the Company holds a 20–50% share in the total vote, or an undertaking over which the parent undertaking exercises significant influence but not control.

Equity interests in associated undertakings are valued using the equity method, except for those cases when a given investment is classified as held for sale. Investments in associated undertakings are valued at the acquisition cost, taking into account the changes in the Company's share in the net assets which occurred until the balance-sheet date, less impairment losses. The Group recognises its share in the profit/ loss of associated undertakings in the profit and loss account, and its share in changes in equity of associated undertakings is disclosed under investor's equity.
The balance-sheet dates are the same for associated undertakings and for the Group; both associated undertakings and the Group apply consistent accounting policies.

c) Intangible Assets

Intangible assets are recognised if the Group is likely to obtain future economic benefits attributable directly to the assets. Initially, intangible assets are recorded at acquisition or production cost, if they are acquired in separate transactions. Intangible assets acquired as part of the acquisition of a business are capitalised at fair value as at the acquisition date. Following initial recognition, intangible assets are valued at acquisition or production cost less accumulated amortisation and impairment losses.
Intangible assets are amortised using the straight-line method over their estimated useful lives.
The expected useful lives of the Group's intangible assets are from 2 to 21 years.

d) Goodwill of Subordinated Undertakings

Goodwill is the excess of the acquisition cost over the fair value of the Group's share in identifiable net assets of acquired subsidiary, associated undertaking or a joint venture, as at the acquisition date. The goodwill relating to acquisition of subsidiary undertakings is disclosed under intangible assets, while the goodwill relating to acquisition of associated undertakings is disclosed under investments in associated undertakings.

If the acquisition cost is lower than the fair value of the identifiable acquired net assets of an acquired undertaking, the difference is disclosed as profit in the profit and loss account for the period in which the acquisition took place.

Goodwill is disclosed as asset at cost less accumulated impairment losses. Goodwill is tested for impairment at least once a year. Any impairment of value is recognised immediately in the profit and loss account and is not reversed in consecutive periods.
As at the date of assuming control, the acquired goodwill is allocated to every cash-generating unit which may benefit from synergies resulting from the merger. The Company calculates any impairment of value by estimating recoverable value of the cash-generating unit relevant to a given part of goodwill. If the recoverable value of a cash-generating unit is lower than its balance-sheet value, the Company recognises impairment losses. If goodwill comprises a part of a cash-generating unit and the Company sells a part of the business of the cash-generating unit, the goodwill connected with the sold business is included in the balance-sheet value of the sold business for the purpose of calculating gains or losses on disposal of the part of business. Goodwill sold in such circumstances is valued using the relative value of the sold business and the value of the retained part of the cash-generating unit.

e) Property, Plant and Equipment

Property, plant and equipment, other than land, are valued at acquisition or production cost, less accumulated depreciation and impairment losses.

Land is valued at acquisition cost less any impairment losses. In the case of perpetual usufruct of land, acquisition cost is understood to mean the amount paid to a third party.

Initial cost of property, plant and equipment comprises the acquisition cost plus all costs directly related to their acquisition and adaptation for use. Costs incurred on an asset which is already in service, such as repairs, overhauls or operating fees, are expensed in the reporting period in which they were incurred.

Property, plant and equipment (including their components), other than land, are depreciated using the straight-line method over their estimated useful lives. The depreciation rates are as follows:

Buildings and structures	1.25–10%
Plant and equipment	5–20%
Vehicles	7–40%
Other property, plant and equipment	10–50%

Gains or losses on disposal/ liquidation or discontinuation of use of property, plant and equipment are defined as the difference between the proceeds on the sale of property, plant and equipment and their net value, and disclosed in the profit and loss account.

f) Assets under Construction

Assets under construction are valued at the amount of aggregate costs directly attributable to the acquisition or production of such assets, including financial expenses, less impairment losses, if any. Assets under construction include investment materials purchased for construction. Assets under construction are not depreciated until completed and placed in service.

g) Impairment Losses

Property, plant and equipment and other non-current assets, including goodwill, intangible assets and financial assets, are tested for impairment if certain events or changes in the environment may result in lowering the value of these assets below their balance-sheet value. Impairment losses are recognised in the amount equal to the difference between the balance-sheet valuation of assets and the higher of: the fair value of the asset less the selling costs or the value-in-use determined for the individual asset. In order to verify the balance-sheet valuation, the assets are identified as the smallest cash-generating units to which a given asset may be assigned.

h) Investments

Investment property

Investment property is valued at acquisition cost less impairment losses, if any.
Investment property, including investments in land, perpetual usufruct of land, buildings and structures, include property which the Company does not use for its own purposes but which will generate benefits in the form of value appreciation or income from rent.

i) Inventories

Inventories are stated at the lower of: their acquisition or production cost or their net realisable value.

Costs incurred in order to bring each inventory item to its present location and conditions are accounted for in the following manner:

- materials and goods for resale – acquisition cost calculated on weighted average basis,
- finished goods and work-in-progress – the cost of direct materials and labour and an appropriate portion of indirect production costs, established on the basis of normal capacity.

Net realisable value is the selling price estimated as at the balance sheet date net of VAT and excise taxes or fuel charge, less any rebates, discounts and other similar items, and less the estimated costs to complete and costs to sell.

j) Current and Non-Current Receivables

Trade receivables are initially disclosed at the present value of expected cash flows, and subsequently valued at adjusted acquisition cost (amortised cost), using the effective interest rate, less impairment losses, if any. An impairment loss on trade receivables is recognised when there is an objective evidence that the Group will not be able to collect all amounts due in accordance with the original contractual terms. The amount of the impairment is measured as the difference between the balance-sheet value of the given assets and the present value of estimated future cash flows discounted at the effective interest rate. The amount of the impairment loss is recognised in the profit and loss account under other operating expenses.

k) Foreign Currency Transactions

Transactions denominated in foreign currencies are disclosed in the functional currency of the Company (Polish złoty) as at the transaction date, using the following exchange rates:

1) buy or sell rate of the bank at which the transaction is effected – in the case of sale and purchase of currencies and payment of receivables and payables; or

2) mid exchange rate quoted for the given currency by the National Bank of Poland as at that date unless a different exchange rate in specified in another document binding on a given undertaking.

Cash assets and liabilities denominated in foreign currencies as at the balance-sheet date are translated into the złoty at relevant złoty mid exchange rates quoted by the National Bank of Poland as at that date. The resulting foreign exchange gains and losses are posted in the profit and loss account, except for foreign exchange gains and losses which are considered a part of external financing cost and are capitalised under non-current assets. Non-cash items valued at their historic cost in foreign currency are translated at the exchange rate effective as at the date of the initial transaction. Non-cash items valued at fair value in a foreign currency are translated at the exchange rate effective as at the date of determining the fair value.

l) Cash and Cash Equivalents

Cash in hand and at banks, as well as and non-current deposits held to maturity are valued at face value.

Cash and cash equivalents as disclosed in the consolidated cash-flow statement comprise cash in hand and cash at banks, as well as those bank deposits maturing within three months which are not classified as placements.

m) Accruals and Deferrals

The Group discloses prepayments if they relate to future reporting periods.

Accrued expenses are disclosed at probable values of current-period liabilities.

Employees of the Group undertakings are entitled to holidays in accordance with the rules set forth in the Polish Labour Code. The Group recognises the cost of employee holidays on an accrual basis using the liability method. The amount of the provision for unused holidays is calculated on the basis of the difference between the balance of holidays actually used and the balance of holidays used established proportionately to the passage of time.

n) Equity

Equity is disclosed in the accounting records by categories, in accordance with the rules set forth in applicable laws and in the Articles of Association.

The share capital of the Lotos Group is the share capital of the parent undertaking and is disclosed at its par value, in the amount specified in the Company's Articles of Association and in the relevant entry in the National Court Register.

o) Provisions

The Group discloses provisions where it has a liability (legal or following from commercial practice) resulting from past events, and it is certain or highly probable that the discharge of this liability would cause an outflow of funds representing economic benefits, and the amount of the liability may be reliably estimated.

p) Employee Benefit Schemes

The Group undertakings have in place length-of-service award schemes and old-age and disability pension schemes. The payments under these schemes are expensed so that the costs of length-of-service awards and retirement severance pays can be amortised over the whole employment period. The costs related to the abovementioned benefits are determined using the actuarial valuation of the forecast entitlements of individual employees.

q) Loans and Borrowings

Financial liabilities under loans, borrowings, and debt securities are valued at the moment of their first-time recognition in the accounting records at their acquisition cost, i.e. at the fair value of the payment for the assumption of liabilities. In subsequent periods financial liabilities are recognised at the amortised acquisition cost, except for the liabilities held for trading, which are valued at the effective interest rate.

r) Costs of External Financing

Costs of external financing are disclosed as the costs of the period in which they were incurred, except for the costs which relate directly to the acquisition, construction or production of an asset being completed, which costs are capitalised as a part of the acquisition or production cost of such an asset.

To the extent that the funds are borrowed specifically for the purpose of acquiring the asset being completed, the amount of the costs of external financing which may be capitalised as part of such asset is determined as the difference between the actual costs of external financing incurred in connection with a given loan in a given period and the proceeds from temporary investments of the borrowed funds.

To the extent that the funds are borrowed without a specific purpose and are later allocated for the acquisition of an asset being completed, the amount of the costs of external financing which may be capitalised is determined by applying the capitalisation rate to the capital expenditure on that asset.

s) Deferred Income Tax

Mandatory decrease of profit/(increase of loss) comprises: current income tax (CIT) and deferred income tax. The current portion of the income tax is calculated based on the net profit/(loss) (taxable income) for a given financial year. The net profit (loss) established for tax purposes differs from the net profit (loss) established for financial reporting purposes due to the exclusion of the income which is taxable and the costs which are deductible in future years and the expenses and income which will never be subject to deduction/taxation. The tax charges are calculated based on the tax rates effective for a given financial year.

The amount of the deferred tax is determined with the use of the balance-sheet liability method in relation to all timing differences existing as at the balance-sheet date between the tax value of assets and liabilities and their balance-sheet value as disclosed in the consolidated financial statements.

Deferred tax liability provision is recognised in relation to all positive timing differences.

Deferred tax liability is recognised in relation to all positive timing differences on investments in subsidiary or associated undertakings and on shares in co-subsidiary undertakings, unless the dates of reversal of the timing differences are controllable or the timing differences are not likely to be reversed in the foreseeable future.

Deferred tax assets are disclosed in relation to all negative timing differences and unused tax losses brought forward in the amount of the probable taxable income which would enable these differences and losses to be used.

In the case of negative timing differences on the shares in subordinated or associated undertakings and on the shares in co-subsidiary undertakings, the related deferred tax asset is disclosed in the balance sheet in the amount of the taxable income expected to be generated in the foreseeable future (as a result of the reversal of these timing differences) which would enable the negative timing differences to be offset.

The balance-sheet value of a deferred tax asset is verified as at each balance-sheet date and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for a partial or full realisation of this deferred tax asset would be generated.

Deferred income tax is calculated using the tax rates which will be effective at the moment of realisation of a particular asset or at the maturity date of a given liability. Deferred income tax is disclosed in the profit and loss account, unless it relates to items disclosed directly under equity. In the latter case, deferred income tax is also posted directly to equity.

In the event of a change in the tax rate, the Company revalues the deferred income tax assets and liabilities and the result of the revaluation is posted to the profit and loss account for the period in which the revaluation was made.

Deferred income tax assets and deferred income tax liabilities are disclosed in the balance sheet at their value following their set-off in particular undertakings consolidated within the Group.

t) Financial Instruments

At the time of their initial recognition, financial instruments are valued at acquisition cost (price), equal to the fair value of the payment made for them. The transaction costs are included in the initial value of the financial instruments.

Following the initial recognition, financial instruments are classified under one of the following four categories and are valued as follows:

- Financial instruments which are valued at fair value; the related gains and losses are disclosed in the profit and loss account.
- Financial instruments held to maturity which are valued at their amortised cost using the effective interest rate; the related gains or losses are disclosed in the profit and loss account at the moment of derecognition of particular financial instruments from the balance sheet.
- Loans and accounts receivable which are valued at their amortised cost using the effective interest rate; the related gains and losses are disclosed in the profit and loss account. Accounts receivable which mature in the short term and do not have a specified interest rate are valued at amounts due.
- Financial instruments available for sale which are valued at fair value; the revaluation gains/losses are charged to the revaluation capital reserve until the investment is sold or its value is reduced. Then, the cumulative revaluation gain/loss is charged to the consolidated profit and loss account.

The fair value of financial instruments for which a ready market exists is determined in relation to the prices quoted on that market as at the relevant balance-sheet date. If there is no quoted market price, the fair value is estimated using appropriate valuation techniques.
Financial instruments are derecognised from the balance sheet when the Group loses control over contractual rights comprising particular financial instruments; this is usually the case when a financial instrument is sold or when all the cash flows related to a given instrument are transferred to a third party.

u) Recognition of Revenue

Revenue is recognised in the amount proportionate to the probable economic benefit for the Group which can be reliably valued.

v) Sales of Goods for Resale and Products

Sales revenue is disclosed at the fair value of payments received or due, and it represents the accounts receivable for the products, goods for resale and services provided in the ordinary course of business, less discounts, VAT and other sales-related taxes (excise tax, fuel charge).

The sales of goods for resale are recognised at the moment of delivery and transfer of the property rights.

w) Interest

Interest income is recognised as the interest accrues (using the effective interest rate), unless the receipt of the interest is doubtful.

x) Dividends

Dividends receivable are included in the financial income as at the day of adoption of a resolution on profit distribution by the relevant governing body of the Company, unless the resolution provides for a different dividend record date.

y) Executive Board's Estimates

The preparation of financial statements in accordance with the International Financial Reporting Standards requires a number of judgments and estimates which affect the value of items disclosed in the financial statements and in the notes thereto. Although the judgments and estimates are based on the Executive Board's best knowledge of the current and future events and actions, the actual results might differ from the estimates.

The assumptions used in the estimates are described in the relevant notes.

z) Earnings per Share

Earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares in this reporting period. The Group does not disclose the diluted earnings/loss per share, since it has no potentially dilutive ordinary shares outstanding.

5. Effect of Application of New Accounting Standards and Changes in Accounting Policies

2005 is the first year in which financial statements are prepared in accordance with the International Financial Reporting Standards. The data presented below is required to be disclosed in the year of first-time adoption of the IFRS. The last financial statements prepared in accordance with the Polish Accountancy Act were the financial statements for the year ended December 31st 2004, therefore the date of transition to the IFRS is January 1st 2004.
In accordance with IAS 8, changes in the accounting policies were applied to the presented financial data retrospectively. In connection with changes in the accounting policies, the data contained in these condensed consolidated and non-consolidated financial statements differ from the values of net assets and net profits disclosed in the financial statements for previous reporting periods and prepared in accordance with the Polish Accountancy Act.

PLN '000	Consolidated net assets as at			Consolidated net profit as at	
	Jan 1 2004	Jun 30 2004	Dec 31 2004	6 months ended Jun 30 2004	12 months ended Dec 31 2004
Before restatement	**1,525,351***	**1,651,232**	**2,081,336 ***	**141,898**	**572,002***
Change in the exchange rate applied to translate assets, equity and liabilities expressed in foreign currencies	(11,874)	-	-	11,874	11,874
Profit distribution for employee benefits	(7,749)	-	(7,462)	(2,051)	(9,513)
Valuation of assets at fair value	733,502	714,191	693,890	(19,311)	(39,338)
Other	840	1,494	1,680	654	840
Deferred tax	(134,030)	(130,119)	(126,814)	3,911	7,164
	=========	=========	=========	=========	=========
Restated data	**2,106,040**	**2,236,798**	**2,642,630**	**136,975**	**543,029**

* In accordance with the accounting policies as presented in the consolidated financial statements for the year ended December 31st 2004.

PLN '000	Non-consolidated net assets as at			Non-consolidated net profit as at	
	Jan 1 2004	Jun 30 2004	Jan 1 2004	6 months ended Jun 30 2004	12 months ended Dec 31 2004
Before restatement	**1,479,729***	**1,619,726**	**1,999,446 ***	**154,697**	**534,416***
Change in the exchange rate applied to translate assets, equity and liabilities expressed in foreign currencies	(11,874)	-	-	11,874	11,874
Profit distribution for employee benefits	(6,431)	-	(6,191)	(2,051)	(8,242)
Valuation of assets at fair value	735,762	703,309	685,913	(32,453)	(49,849)
Deferred tax	(134,060)	(130,119)	(126,814)	3,910	7,216
	=========	=========	=========	=========	=========
Restated data	**2,063,156**	**2,192,916**	**2,552,354**	**135,977**	**495,415**

* In accordance with the accounting policies as presented in the non-consolidated financial statements for the year ended December 31st 2004.

As described in Note 3 to these condensed consolidated financial statements, the Group commenced measuring its property, plant and equipment at fair value as at the date of transition to IFRS, and recognising that value as the deemed cost of these assets as at the transition date. In the condensed consolidated financial statements for the three months ended March 31st 2005, the Parent Undertaking determined the initial values of those assets and recognised adjustments to the opening balance as at January 1st 2004. The value of items contained in the opening balance sheet changed and the values presented in these condensed consolidated financial statements prepared for six months ended June 30th 2005 differ from those presented in the condensed consolidated financial statements prepared for three months ended March 31st 2005. Therefore, the net asset values as at January 1st 2004 and December 31st 2004 disclosed in the condensed consolidated financial statements for three months ended March 31st 2005, prepared in accordance with the IFRS, changed by PLN 79,915 thousand and PLN 79,693 thousand, respectively, including the effect of deferred tax.

Key Differences between PAS and IFRS

Profit Distribution for Employee Benefits

According to Polish business practice shareholders of the Company have the right to allocate a part of profit for employee benefits, including payment of bonuses and contributions to the Company's social benefits fund. Such distribution is presented in the statutory financial statements, similarly to dividend payments, through change in equity. In the financial statements prepared in accordance with the IFRS such distributions are charged to operating expenses of the year which the distribution concerns.

Change of the Exchange Rate Applied to Translate Assets and Liabilities Denominated in Foreign Currencies

In 2004, the Company introduced changes in the applied accounting principles in relation to those applied in the financial statements for 2003. These changes resulted from the amendments to the Polish Accountancy Act that came into force on January 1st 2004. Changes to accounting principles introduced in connection with the amended Accountancy Act were disclosed by adjusting the individual items of the financial statements for 2003 for the amount concerning the given period. The effect of the amendments concerning previous years was disclosed as an adjustment to the item "retained earnings". Since the IFRS do not specify the exchange rate that should be used to value assets and liabilities denominated in foreign currencies, the Company should present the changes resulting from the applied exchange rate as change of estimates. Due to the above, the difference concerning the opening balance of the period ended December 31st 2004 was fully recognised in the profit and loss account of this period.

Measuring of Assets at Fair Value

As at the date of transition to the IFRS, property, plant and equipment and intangible assets were recognised at fair value, which was assumed as their adjusted initial value (deemed cost). This recognition relates primarily to the perpetual usufruct of land received free of charge, which was not recorded in the accounting records kept in accordance with the Polish Accounting Standards ("PAS"), as the Company was unable to determine its acquisition cost, and the property, plant and equipment which were revalued in accordance with GUS indices.

6. Operations in the Period Covered by the Interim Financial Statements

The Group's operations are not subject to any seasonal or cyclical changes in the period covered by the interim financial statements.

7. Changes in Estimates

There were no changes in the Group's estimates, except for those described in Note 15 to the consolidated financial statements.

8. Restructuring Costs

The Group is preparing a restructuring plan for its operations and employment, mainly in connection with assuming control over the Czechowice Refinery , Jasło Refinery and Petrobaltic.

9. Corporate Income Tax

PLN '000	**6 months ended Jun 30 2005 (unaudited)**	**6 months ended Jun 30 2004 (unaudited)**
Corporate income tax	72,433	65,206
Deferred tax:	(28,807)	(15,555)
	========	========
Total tax	43,626	49,651

The current portion of the income tax was calculated at the rate of 19% of the tax base.

10. Discontinued Operations

The Group did not discontinue any of its operations.

11. Dividends

On May 13th 2005, the General Shareholders Meeting of the Parent Undertaking approved the 2004 dividend amount of PLN 15,740 thousand (PLN 0.20 per share). Pursuant to the Resolution of the General Shareholders Meeting of Grupa LOTOS SA on the distribution of the Company's net profit for the year ended December 31st 2004, adopted on May 13th 2005, the dividend payment date was set at June 22nd 2005.

12. Earnings per Share

	6 months ended Jun 30 2005	6 months ended Jun 30 2004
Consolidated net profit in PLN '000 (A)	141,345	136,975
Weighted average number of shares in thousands of shares (B)*	79,281	79,281
Earnings per share (A/B)	1.78	1.73

* Earnings per share were computed on the basis of the weighted average number of shares in the period January 1st–June 30th 2005. New Series B shares were included in the weighted average number of shares starting from June 28th 2005, which was the registration date of Grupa LOTOS SA's share capital increase through the issue of Series B shares. (see Note 14).

13. Changes in Loans and Borrowings

PLN '000	Jun 30 2005 (unaudited)	Dec 31 2004 (unaudited)
Long-term	105,180	143,737
Short-term	233,715	184,571
	========	========
Total loans and borrowings	**338,895**	**328,308**

In the period January 1st–June 30th 2005, the following changes occurred in loans and borrowings:

- in April 2005, the Parent Undertaking repaid a loan installment of CHF 42,500 thousand under the loan advanced by Dresdner Bank Luxembourg
- in June 2005, the Parent Undertaking repaid loan instalments of PLN 14,000 thousand and PLN 17,179 thousand under loans advanced by Kredyt Bank SA and BPH SA, respectively
- in January and April 2005, under an agreement with Bank PeKaO SA dated July 13th 2004, Lotos Paliwa Sp. z o.o. made two draw-downs under a short-term loan for an aggregate value of PLN 25,000 thousand
- in April 2005, under an agreement with Kredyt Bank SA dated March 4th 2002, Lotos Paliwa Sp. z o.o. made the a draw-down under a long-term investment loan of PLN 24,015 thousand.

14. Share Capital and Reserve Funds

Share Issue

On May 17th 2005, Grupa LOTOS SA applied to the Warsaw Stock Exchange for admission to trading on the main market of:

- 58,229,340 Series A ordinary registered shares
- 20,470,660 Series A ordinary bearer shares
- 35,000,000 Series B ordinary bearer shares
- 35,000,000 rights to Series B new shares.

On June 3rd 2005, pursuant to Resolution No. 178/2005, the Executive Board of the Warsaw Stock Exchange admitted the following shares of Grupa LOTOS SA, with a par value of PLN 1 per share, to trading on the main market:

- 58,229,340 Series A ordinary registered shares
- 20,470,660 Series A ordinary bearer shares
- up to 35,000,000 Series B ordinary bearer shares, subject to a condition that the Company's share capital is increased through the issue of Series B shares.

Pursuant to Resolution No. 178/2005 of June 3rd 2005, the Executive Board of the Warsaw Stock Exchange admitted up to 35,000,000 rights to Series B shares of Grupa LOTOS SA to trading on the main market.

On June 4th and June 6th 2005, the Company allotted Series B Shares in the Retail Offering and the Institutional Offering, respectively. Upon the allotment, the Public Offering was announced as successful.

1. The Public Offering comprised 35,000,000 Series B Shares.

   The Shares were offered as follows:

   - 8,800,000 Shares in the Retail Offering
   - 26,200,000 Shares in the Institutional Offering, including:
     - 16,500,000 Shares in the Polish Institutional Offering, and
     - 9,700,000 Shares in the International Institutional Offering.

2. The reduction rate in the Retail Offering was 96.58%. Retail investors placed the aggregate number of 31,646 subscription orders for 257,634,549 Series B Shares.

3. In the Institutional Offering, during the Book-building process Polish and international institutional investors declared demand for 86,192,129 Offered Shares. In the Institutional Offering, Series B Shares were allotted in accordance with the subscription orders placed.

4. All the shares offered by the Company, i.e. 35,000,000 Series B Shares, were allotted as a result of the subscription.

5. The shares were acquired at the issue price of PLN 29.00.

6. The aggregate number of orders placed in the Public Offering for Series B Shares was 31,763, of which:

   - 31,646 in the Retail Offering, and
   - 117 in the Institutional Offering.

By virtue of Resolutions No. 179/2005 and 180/2005 of June 8th 2005, the Executive Board of the Warsaw Stock Exchange decided to:

- introduce, by way of an ordinary procedure, 20,545,970 Series A ordinary bearer shares of Grupa LOTOS SA, with a par value of PLN 1.00 per share (ISIN code: PLLOTOS00025) to trading on the main market,
- introduce 35,000,000 rights to Series B ordinary bearer shares of Grupa LOTOS SA, with a par value of PLN 1.00 per share (ISIN code: PLLOTOS00041), to trading on the main market.

The abovementioned shares and rights to Series B ordinary bearer shares of Grupa LOTOS SA were first quoted on the Warsaw Stock Exchange on June 9th 2005.

The Executive Board of the Warsaw Stock Exchange set the last listing date for 35,000,000 (thirty-five million) rights to Series B ordinary bearer shares of Grupa LOTOS SA, with a par value of PLN 1 (one) per share (ISIN code: PLLOTOS00041), at July 7th 2005.

On June 28th 2005, the Company's Executive Board received the decision of the District Court of Gdańsk, XII Commercial Division of the National Court Register, concerning registration of Grupa LOTOS SA's share capital increase through the issue of Series B shares. The share capital increase was registered by the Court on

June 28th 2005. Following the registration, the share capital amounts to PLN 113,700,000 and is divided into 113,700,000 shares. The total number of votes attached to all the shares issued by Grupa LOTOS SA after the registration of the share capital increase is 113,700,000 votes.

The structure of Grupa LOTOS SA's share capital following the registration of changes:

	Number of shares	Number of votes	Par value	% of share capital
State Treasury	7,878,030	7,878,030	7,878,030	6.93 %
Nafta Polska SA	59,025,000	59,025,000	59,025,000	51.91 %
Other shareholders	46,796,970	46,796,970	46,796,970	41.16 %
Total	113,700,000	113,700,000	113,700,000	100.00 %

The share issue price was set at PLN 29.00 per share. The issue proceeds were PLN 1,015,000 thousand. The share premium was PLN 980,000 thousand and was disclosed under reserve funds, net of the expenses directly related to the share issue, adjusted by income tax, i.e. PLN 9,049 thousand (see Table pp. 5 and 12).

As at the balance-sheet date, the issue proceeds had been used to purchase shares in Petrobaltic, the Czechowice Refinery, the Jasło Refinery and the Glimar Refinery, for the total of PLN 257m.

15. Changes in the Structure of the LOTOS Group

A. Acquisition of Shares in the Czechowice Refinery, Jasło Refinery, Glimar Refinery and Petrobaltic

The agreement of January 13th 2005 under which Grupa LOTOS SA purchased shares in the Czechowice Refinery (80.04%), Jasło Refinery (80.01%), Glimar Refinery (91.54%) and Petrobaltic (69.00%) from Nafta Polska SA was finalised on February 3rd 2005. The agreement value totalled PLN 257,276 thousand.

Pursuant to IFRS 3 (Business Combinations), as at the acquisition date, the Company will performe for each acquired company a separate valuation of goodwill at its cost, being the excess of the cost of the business combination over the aquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. The valuation is to be adjusted on the basis of the results of an independent valuation of assets, liabilities and contingent liabilities of the acquired companies. As at the date of these condensed consolidated financial statements, the valuation was being prepared.

Since as at the date of these condensed consolidated financial statements, the fair value which should be assigned to the identifiable assets, liabilities and contingent liabilities can only be estimated, pursuant to IFRS 3 the Company will, within 12 months as of the acquisition, adjust such estimates in the financial statements for future periods.

In estimating the value of goodwill of the acquired companies, it was assumed in particular that the value of identifiable assets, liabilities and contingent liabilities is:

- for the Jasło Refinery – equal to the merger costs
- for the Czechowice Refinery – equal to the merger costs
- for Petrobaltic – equal to the merger costs.

Given the above assumption, the Company has disclosed other provisions in these condensed consolidated financial statements.

Since control over the Glimar Refinery (in bankruptcy) has been assumed by a bankruptcy administrator, the refinery has been excluded from consolidation.

B. Disposal of Shares in Naftoport Sp. z o.o. (associated company)

On April 14th 2004, Grupa LOTOS SA, as the Seller, and PERN Przyjaźń SA ("PERN"), as the Buyer, concluded an agreement concerning the sale of 13 shares with a par value of PLN 589 thousand per share and aggregate par value of PLN 7,657 thousand, which as at the agreement date represented 16.67% of the share capital of Przedsiębiorstwo Przeładunku Paliw Płynnych Naftoport Sp. z o.o. ("Naftoport"). To be finalised, the transaction had to be approved by the Polish Anti-Trust and Consumer Protection Authority; such approval was issued on April 13th 2005. Following the disposal of the shares, Grupa LOTOS SA holds an 8.97% equity interest in Naftoport.

As a result of Grupa LOTOS SA selling a part of its interest Naftoport, its non-consolidated financial statements prepared for the six months ended June 30th 2005 show a realised profit of PLN 26,344 thousand. In the consolidated financial statements prepared for the six months ended June 30th 2005, the profit realised on the sale was adjusted for the value of shares measured under the equity method which was attributable to the sold interest, and amounted to PLN 16,090 thousand.

C. Share Capital Increase at Lotos Park Technologiczny Sp. z o.o.

On June 28th 2005, the Extraordinary General Shareholders Meeting of Lotos Park Technologiczny Sp. z o.o. resolved to increase the company's share capital from PLN 50 thousand to PLN 500 thousand, i.e. by PLN 450 thousand, by issuing 900 new shares with a par value of PLN 500 per share and an aggregate par value of PLN 450 thousand. The new shares are to be acquired as follows:

- Grupa LOTOS SA – 800 shares
- Kolaja & Partners Sp. z o.o. – 100 shares.

Following the share capital increase, Grupa LOTOS SA will hold a 90% equity interest in Lotos Park Technologiczny Sp. z o.o.

16. Contingent Liabilities

16.1. Material Surety and Guarantee Agreements

16.1.1. Material Surety and Guarantee Agreements of the Company

Surety agreement of February 9th 2004 concluded with the National Fund for Environmental Protection and Water Management

Under the agreement, the Company issued an irrevocable surety to repay the loan contracted by the Jasło Refinery from the National Fund for Environmental Protection and Water Management under a loan agreement of December 10th 2003. The surety covers the loan amount of up to PLN 15,000 thousand. In connection with the surety agreement, on February 6th 2004 the Jasło Refinery and the Company signed an agreement whereby the following security was established for the Company's interest with respect to the surety:

- registered pledge under the registered pledge agreement of February 18th 2004 on the following shares held by the Jasło Refinery:
    - 3,182 shares in MONTO-REM Sp. z o.o. with a par value of PLN 1,591 thousand (pledge register No. 1046944)
    - 700 shares in LOTOS Tank Sp. z o.o. with a par value of PLN 350 thousand (pledge register No. 1046945)
    - 373 shares in Laboratorium BADACZ Sp. z o.o. with a par value of PLN 186 thousand (pledge register No. 1047405)

- 1,100 shares in CHEMIPETROL Sp. z o.o. with a par value of PLN 550 thousand (pledge register No. 1052522)
- 2,104 shares in Rafineria Jasło SPED-KOL Sp. z o.o. with a par value of PLN 1,052
- 904 shares in LOTOS Parafiny Sp. z o.o. with a par value of PLN 904 thousand (pledge register No. 1047409)
- 350 shares in JASBIT – Rafineria Jasło Sp. z o.o. with a par value of PLN 350 thousand (pledge register No. 1047403)

- registered pledge under the registered pledge agreement of February 18th 2004 on the following tangible assets owned by the Jasło Refinery: bitumens and bitumen emulsions production units, whose net value amounts to PLN 2,806 thousand, and plastics processing units, whose net value is PLN 8,155 thousand (pledge register No. 1042745 and No. 1042744).

Irrespectively of the above, the agreement states that the Jasło Refinery will seek to obtain a bank guarantee or surety to replace the surety issued by the Company.

If the Jasło Refinery is in breach of the agreement, it will pay the Company a contractual penalty of 10% of the surety value, subject to the reservation that if the value of the damage is higher than the contractual penalty, the Company may seek compensation equal to the full value of the damage.

16.1.2. Material Surety and Guarantee Agreements of Petrobaltic

Liabilities to Bank Ochrony Środowiska SA

In connection with the loan advanced by Bank Ochrony Środowiska SA (the "Bank") to Energobaltic Sp. z o.o. (Energobaltic) under (i) investment loan agreement of September 11th 2001, and (ii) preferential investment loan agreement of September 11th 2001 concerning environmental protection, on December 12th 2001, Petrobaltic made a representation to the Bank whereby it agreed:

- to increase the share capital of Energobaltic by an amount equal to the company's cumulative net loss incurred in the period from the abovementioned loan agreements date to the date of the first sale (confirmed by an invoice) of power from the CHP plant in Władysławowo (according to the Issuer's information, such sale was made on July 3rd 2003), if the loss exceeds 20% of Energobaltic's share capital

- to apply a part of net profit (in the amount not exceeding the amount assumed in the Bank-approved final projection for the project financed with the loan) towards share capital increase in Energobaltic

- not to dispose of or encumber its shares in Energobaltic without a prior consent of the Bank.

Surety for Liabilities of Miliana Shipping Company Ltd

On June 18th 2004, Petrobaltic submitted to Bank Polska Kasa Opieki SA (the "Bank") a representation to the effect that Petrobaltic issued a surety for the liabilities of Miliana Shipping Company Ltd ("Miliana") under the agreement of June 18th 2004 between Miliana and the Bank concerning a loan for the financing of the purchase of an oil tanker. Petrobaltic and Miliana were jointly and severally responsible for Miliana's liabilities under the loan. Petrobaltic's responsibility was limited to USD 14,800,000, or its equivalent in the Polish złoty. As a result of the establishment of an effective maritime mortgage on the oil tanker owned by Miliana, the surety expired in April 2005 (the Bank confirmed the fact that the surety was released in its letter of April 18th 2005).

Following the conclusion on March 12th 2004 by Miliana and Bank Polska Kasa Opieki SA of an annex to the loan agreement of March 12th 2001, Petrobaltic submitted to the Bank a representation to the effect that Petrobaltic issued a surety for the liabilities of Miliana under the bank loan agreement of March 12th 2001 between Miliana and the Bank. Petrobaltic and Miliana were jointly and severally responsible for Miliana's liabilities under the loan. Their responsibility was limited to USD 1,500,000. The surety expired as a result of the termination, as of March 12th 2005, of a working capital loan advanced in the form of a renewable credit facility (the Bank confirmed the fact that the surety expired in its letter of March 17th 2005).

16.1.3. Material Surety and Guarantee Agreements of the Czechowice Refinery

Guarantee issued on April 30th 2004 by Bank Millennium SA to the order of the Czechowice Refinery, as amended under Amendment No. 1 of May 11th 2004, Amendment No. 2 of October 29th 2004 and Amendment No. 3 of January 27th 2005. The guarantee is an excise security, as defined in Art. 43.1 of the Polish Excise Act of January 23rd 2004. Under the guarantee, issued for the benefit of the Head of Excise Office in Bielsko-Biała based in Czechowice-Dziedzice, Bank Millenium SA agreed to pay, jointly and severally with the Czechowice Refinery, any amounts due from the Czechowice Refinery under excise tax which arise from November 1st 2004 to April 30th 2005, and interest accrued thereon up to PLN 10,000 thousand in aggregate. Bank Millenium is bound by the obligation until July 29th 2005.

16.2. Material Liabilities under Promissory Notes

16.2.1. Material Liabilities of the Company under Promissory Notes

As at June 30th 2005, 12 cheques totalling PLN 443,000 thousand have been submitted to customs authorities to secure the Company's customs duty liabilities.

16.2.2. Material Liabilities of the Jasło Refinery under Promissory Notes

The Jasło Refinery has issued nine blank promissory notes to Nafta Polska. Under the promissory note declarations of January 19th 2000, the promissory notes secure the liabilities of the Jasło Refinery under claims concerning environmental damage on the real estate specified in the agreement of January 19th 2000 between the Jasło Refinery and Carbon Black Polska Sp. z o.o. The promissory notes may be filled in by Nafta Polska if the Jasło Refinery fails to perform any of its obligations under the agreement. As provided for in the declarations, each promissory note may be filled in with up to PLN 1,000 thousand.

Under an agreement of January 19th 2000 between Nafta Polska and the Jasło Refinery, if no obligation arises on the part of Nafta Polska to provide any performance, in whole or in part, under the performance bond agreement relating to the agreement on environmental issues with Carbon Black Polska Sp. z o.o. by the time Nafta Polska is removed from the enterprise register, Nafta Polska will place the unrealised promissory notes in court deposit so that they can be returned after the court's decision on removing Nafta Polska from the enterprise register becomes final. Similarly, the unrealised promissory notes will be returned to the Jasło Refinery after 10 years following the agreement date if Nafta Polska is not removed from the enterprise register and is not obliged to any performance under the surety agreement.

The Jasło Refinery has also issued a blank promissory note to the Minister of Economy. Under the promissory note declaration issued on November 13th 2002, the promissory note is to secure performance of the Jasło Refinery's obligations under an agreement on financial support for a new investment project, concluded between the Minister of Economy and the Jasło Refinery on November 1st 2002. The promissory note may be filled in with an amount of up to PLN 5,674 thousand.

Furthermore, as at the end of Q2 2005, the Jasło Refinery had the following contingent liabilities:

1. blank promissory note in the amount of PLN 4,300 thousand, issued to PBS Sanok as loan security, expiring on October 1st 2005

2. blank promissory note in the amount of PLN 12,000 thousand, issued to PKO BP SA (Jasło Branch) as loan security, expiring on August 31st 2005

3. blank promissory note in the amount of PLN 24,000 thousand, issued to BGK (Rzeszów Branch) as loan security, expiring on August 10th 2005

4. blank promissory note in the amount of PLN 2,500 thousand, issued to PZU (Rzeszów Branch) as excise guarantee security, expiring on April 30th 2006.

16.2.3. Material Liabilities of Petrobaltic under Promissory Notes

Security for Current Account Loan

June 29th 2005 saw the expiry of Agreement No. 67/2000 on a current account facility in the amount of PLN 28,000 thousand, concluded between Petrobaltic and Bank PEKAO SA on November 17th 2000. As a result, Bank PEKAO SA of Warsaw issued a representation to the effect that Petrobaltic repaid the loan in full and that the Bank released the security in the form of the following four blank promissory notes:

- blank promissory note of up to PLN 5,000 thousand and a promissory note declaration, issued as security for repayment of a loan advanced by Bank PEKAO SA of Warsaw under Agreement No. 67/2000 of November 17th 2000
- blank promissory note for PLN 5,000 thousand and a promissory note declaration, issued as security for repayment of a loan advanced by Bank PEKAO SA of Warsaw under Agreement No. 67/2000 of November 17th 2000 as amended by Annex No. 1 of July 4th 2001 whereby the loan amount was increased to PLN 10,000 thousand
- blank promissory note for PLN 5,000 thousand and a promissory note declaration, issued as security for repayment of a loan advanced by Bank PEKAO SA of Warsaw under Agreement No. 67/2000 of November 17th 2000 as amended by Annex No. 1 of July 4th 2001 and Annex No. 2 of June 27th 2002, whereby the loan amount was increased to PLN 15,000 thousand
- blank promissory note for PLN 13,000 thousand and a promissory note declaration, issued as security for repayment of a loan advanced by Bank PEKAO SA of Warsaw under Agreement No. 67/2000 of November 17th 2000 as amended by Annex No. 1 of July 4th 2001, Annex No. 2 of June 27th 2002, and Annex No. 3 of September 26th 2002 whereby the loan amount was increased to PLN 28,000 thousand.

16.2.4. Material Liabilities of LOTOS Paliwa Sp. z o.o.

On June 9th 2005, Lotos Paliwa Sp. z o.o. (a wholly-owned subsidiary of Grupa LOTOS SA) concluded an agreement with PKO BP SA concerning the assignment of claims and rights by way of security under commercial agreements. The agreement is part of security established in respect of a bank loan agreement of December 16th 2004, concluded between Lotos Paliwa Sp. z o.o. and Bank Polska Kasa Opieki SA and PKO Bank Polski SA, for a loan in the amount of PLN 340,000 thousand. The conclusion of the abovementioned agreement and the concurrent conclusion, on June 9th 2005, of other security agreements, makes it possible to commence the performance of loan agreement of December 16th 2004.

The agreement will expire on the day on which all Secured Claims under the bank loan agreement of December 16th 2004 are unconditionally, irrevocably and fully satisfied. The value of the loan over the agreement term has been estimated at PLN 340,000 thousand.

17. Key Events Subsequent to the End of Q2 2005

1. On July 13th 2005, Grupa LOTOS SA entered into an agreement with Shell Global Solutions International, whereby the latter is to provide engineering services and act as a technical advisor in the execution of the Comprehensive Technical Upgrade Programme at Grupa LOTOS SA. The agreement followed a Letter of Intent executed on November 25th 2004 between Grupa LOTOS SA, LOTOS Ekoenergia SA, Shell Global Solutions International and Shell International Trading and Shipping Company, and is another essential step in the process of execution of the Comprehensive Technical Upgrade Programme, which was specified as one of the main issue objectives in the Issue Prospectus of Grupa LOTOS SA. The Comprehensive Technical Upgrade Programme, in which Grupa LOTOS SA intends to invest over PLN 3.2bn in 2005–2009, provides for the construction of an IGCC unit, an SDA unit and a MHC unit at the Gdańsk refinery.

2. On July 1st 2005, the Czechowice Refinery sold its real estate and other assets related to the production of bitumens to Lotos Asfalt Sp. z o.o.. The value of the transaction was PLN 2,500 thousand. Lotos Asfalt Sp. z o.o. is wholly-owned by Grupa LOTOS SA, which also holds 80.04% of the share capital in the Czechowice Refinery.

3. As part of reorganisation of the Parent Undertaking's trading activities, the following agreements were terminated on August 5th 2005: an agreement of December 14th 2001 between Grupa LOTOS SA and FALCO Mazurkiewicz, Gwiazda Sp. J. (termination by mutual agreement of the parties), and – effective as at July 31st 2005 – an agreement of July 25th 2001 between Grupa Lotos SA and Przedsiębiorstwo Handlowo-Usługowe Mares Sp. z o.o. The agreements provided for sale of liquid fuels, and were terminated in connection with the reorganisation of the Company's sales, as part of which Grupa LOTOS SA will concentrate the wholesale of fuels in LOTOS Paliwa Sp. z o.o., its subsidiary undertaking. The process involves termination of the existing agreements concluded with Grupa LOTOS SA and their replacement with agreements with LOTOS Paliwa Sp. z o.o., providing for the same scope of services. Therefore, the terminations are not expected to materially affect the consolidated results of the Group.

4. On July 20th 2005, Grupa LOTOS SA entered into an agreement with Bank Millennium SA on a stand-by loan of up to PLN 300,000 thousand. The loan will secure cheques issued to customs authorities as security for Grupa LOTOS SA's accounts receivable under customs duties, mainly related to shipments of products in accordance with the suspended-excise-tax procedure. The financial terms and conditions of the loan do not materially differ from market conditions of such loans. The term of the agreement is 12 months.

5. On July 7th 2005, Grupa Lotos SA issued an excise tax security in the form of a blank promissory note of up to PLN 200,000 thousand, covering its tax liabilities related to the suspended-excise-tax procedure. The security is valid up until July 7th 2006.

6. On July 11th 2005, after the conditions precedent (see also Note 16.2.4) had been fulfilled, Lotos Paliwa Sp. z o.o., a subsidiary undertaking, made the first draw-down of PLN 37,000 thousand under the loan agreement concluded on December 16th 2004 between Lotos Paliwa Sp. z o.o., Bank Polska Kasa Opieki SA and PKO Bank Polski SA.

18. Supplementary Information

18.1. Comprehensive Technical Upgrade Programme (CTUP)

On March 31st 2005, a product purchase agreement was concluded between LOTOS Ekoenergia and Shell International Trading and Shipping Company Limited, acting on behalf of Shell Trading International Limited ("STIL").

The agreement provides for the sale and delivery by LOTOS Ekoenergia of specified amounts of diesel oil or low-sulphur residue ("Products") produced by LOTOS Ekoenergia, and their purchase and collection by STIL. The term of the agreement commenced on the date of its execution by the two parties and will expire on the twelfth anniversary of placing in service the units constructed as part of the CTUP Project (specifically on the last day of the calendar month in which the anniversary falls). However, the respective obligations of the parties to sell and purchase the Products depend on the financial closure of the CTUP Project (which should take place by June 30th 2006) and on the commencement of its commercial operation (which should take place not later than within 48 months from the financial closure). The agreement will be automatically terminated if the financial closure or the commencement of the Project's commercial operation does not take place within the timeframes provided for in the agreement. STIL will buy and collect the products as specified in the agreement, at prices computed using the formulas described therein on the basis of relevant market quotations. As to the matters not regulated in detail by the agreement, the parties' obligation to cover the costs, losses and damage suffered by one party due to the other party's breach of the agreement, is to be defined in accordance with English laws of general application. If LOTOS Ekoenergia receives a relevant instruction from financing parties, it may assign its rights and obligations under the agreement to any financing party or a natural or legal person indicated by such a party, without a prior written consent of STIL. Either party may assign its obligations or rights under the agreement to its associated undertaking; however, it will continue to bear joint and several liability for the exercise of its rights and obligations for the benefit of the other party.

Since the agreement is to be part of the project documentation for non-recourse financing, STIL has undertaken that, at the request of LOTOS Ekoenergia, it will negotiate in good faith and will execute with financing parties an agreement whose terms and conditions are acceptable for STIL, and which will provide for the relations between STIL's rights and obligations under the agreement, and financing parties' rights and obligations under the loan agreement and other credit agreements between LOTOS Ekoenergia and financing parties.

The agreement is governed by the English law. The parties excluded the application of the United Nations Convention on Contracts for the International Sale of Goods of 1980. Any disputes are to be settled in arbitration proceedings in London, in accordance with the Rules of the International Arbitration Court in London.

18.3. Restructuring of the Southern Refineries and Planned Consolidation of Maintenance and Laboratory Operations

The restructuring involves consolidation of the maintenance activities conducted by RC Remo, MONTO-REM and LOTOS Serwis Sp. z o.o., and consolidation of laboratory activities of Badacz Sp. z o.o. and CBA Racer Sp. z o.o. LOTOS Lab Sp. z o.o.

Moreover, LOTOS Park Technologiczny Sp. z o.o is to be engaged in the restructuring process which will consist in taking over some assets and employees of the Southern Refineries, not related to their core business, with a view to providing services for the Group companies and acquiring external investors for these operations.

The Group is considering creation of LOTOS Energomedia Sp. z o.o., a company which would provide the Southern Refineries and companies operating in their economic environment (including the Group companies and other) in energy media and would conduct water and sewage activities, using the assets of RC Ekoenergia Sp. z o.o. of Czechowice and Environmental Protection and Power Network Maintenance Unit of the Jasło Refinery.

The restructuring of the Southern Refineries entails transfers of shares, assets, cash and employees among the Group companies.

18.4. Overhaul Shutdown in Spring 2005

In the period March 26th – May 12th 2005, a technological upgrade was carried out at the Gdańsk Refinery. The overhaul and upgrade work was performed on all major production units: fuel, oil, hydrocracking and electricity media facilities. During the shutdown, as a result of the upgrade work the crude oil distillation capacity was increased from 4.5m tonnes to 6m tonnes annually. The work required a temporary discontinuation of production at the Gdańsk Refinery, which had a significant effect on the financial results generated by the LOTOS Group in the second quarter of 2005. The temporary discontinuation of production necessitated earlier accumulation of a stock of products, larger than during normal operations of the units, and resulted in the loss of the sales margin on products which were not produced due to the shutdown.

SUPPLEMENTARY INFORMATION REQUIRED UNDER THE REGULATION OF THE POLISH COUNCIL OF MINISTERS ON CURRENT AND INTERIM REPORTS TO BE DISCLOSED BY ISSUERS OF SECURITIES, DATED MARCH 21ST 2005

In accordance with Par. 98 of the Polish Council of Ministers' Regulation on current and interim reports to be disclosed by issuers of securities, dated March 21st 2005 (Dz.U. of 2005, No. 49, item 463), the Executive Board of Grupa LOTOS SA hereby discloses the following information:

I Rules Governing Translation of Selected Financial Data into the Euro

For the purpose of translating the balance-sheet items presented in the table "Selected Financial Data" as at June 30th 2005, the Company applied the NBP mid exchange rate of the euro effective on that date, i.e. EUR 1 = PLN 4.0401. Items in the profit and loss account and the cash-flow statement presented in the table "Selected Financial Data" for the second quarter of 2005 were translated using the exchange rate of EUR 1 = PLN 4.0805 (i.e. the exchange rate equal to the arithmetic mean of mid exchange rates quoted by the NBP as at the last day of each completed month in the period January 1st–June 30th 2005).

For the purpose of translating the balance-sheet items presented in the table "Selected Financial Data" as at December 31st 2004, the Company applied the NBP mid exchange rate of the euro effective on that date, i.e. EUR 1 = PLN 4.0790. Items in the profit and loss account and the cash-flow statement presented in the table "Selected Financial Data" for the second quarter of 2004 were translated using the exchange rate of EUR 1 = PLN 4.7311 (i.e. the exchange rate equal to the arithmetic mean of mid exchange rates quoted by the NBP as at the last day of each completed month in the period January 1st–June 30th 2004).

II Executive Board's Position on the Feasibility of Meeting the Targets of the Financial Forecasts Published Earlier for a Given Year

The Executive Board of Grupa Lotos SA upholds the 2005 financial forecast presented by the Company in the Issue Prospectus and in Current Reports Nos. 16/2005 and 20/2005.

III Shareholders Holding, Directly or Indirectly through Subsidiaries, 5% or More of the Total Vote at the General Shareholders Meeting of the Parent Undertaking as at the Date of this Report

As at the date of this report, the ownership structure of the Company share capital was as follows:

	Number of shares	Number of votes	Par value of shares	Share in the share capital
State Treasury	7,878,030	7,878,030	7,878,030	6.93%
Nafta Polska S.A.	59,025,000	59,025,000	59,025,000	51.91%
Other shareholders*	46,796,970	46,796,970	46,796,970	41.16%
Total	113,700,000	113,700,000	113,700,000	100.00%

* The Company has no information concerning other shareholders holding, directly or indirectly through subsidiaries, 5% or more of the total vote at the General Shareholders Meeting of the Parent Undertaking, as no such shareholder informed the Company of such fact by the date of these condensed consolidated financial statements.

IV Changes in the Number of Company Shares Held by the Executive and Supervisory Board, According to the Company's Information

	As at the date of the previous report	Acquisition	Disposal	As at the date of this report *
Executive Board, including:	8,250	-	-	8,250
Mr Marek Sokołowski	8,250	-	-	8,250
Supervisory Board, including:	15,270	-	-	15,270
Mr Jerzy Węsierski	8,250	-	-	8,250
Mr Tadeusz Zieliński	7,020	-	-	7,020
Total	23,520	-	-	23,520

** As at August 8th 2005.*

V Material Court, Arbitration or Administrative Proceedings and other Risks Concerning the Parent Undertaking or its Subsidiary Undertakings

V.1 Material Proceedings Pending before Public Administration Authorities in Connection with the Company's Business

On March 21st 2005, the President of the Polish Anti-Trust and Consumer Protection Authority issued a decision whereby anti-trust proceedings were instigated *ex officio* to investigate the issue of a suspected agreement between Polski Koncern Naftowy ORLEN SA of Płock and Grupa LOTOS SA of Gdańsk, concerning a simultaneous discontinuation of the production and distribution of the universal U95 gasoline. In the opinion of the Company's Executive Board, given that in fact the production and sale of the U95 universal gasoline was not discontinued, the allegations of the Anti-Trust and Consumer Protection Authority are unfounded. In April 2005, the Executive Board motioned for issuing a decision to the effect that Grupa LOTOS SA has not been found to use competition-limiting practices.

In July 2005, the Parent Undertaking appealed to the Anti-Monopoly Court against the Anti-Trust and Consumer Protection Authority's decision limiting access to a part of the evidence gathered in the case.

V.2 Material Proceedings Pending before Public Administration Authorities in Connection with the Czechowice Refinery's Business

Tax Proceedings and Court and Administrative Proceedings Related to Taxes

Proceedings Related to the Value Added Tax for Certain Months of 1998

In connection with the tax inspections and the issued decisions related to the value added tax, on December 29th 2003 the Czechowice Refinery filed complaints with the Supreme Administrative Court against three decisions of the Director of the Tax Chamber of Katowice, concerning the value added tax for October 1998, July 1998 and May 1998. The total value of the disputed claims amounted to PLN 1,229 thousand. Decisions were issued in all of the above cases. In all likelihood cassation complaints will be filed against all of the above decisions, by the Czechowice Refinery or the Tax Chamber Director, as the case may be.
The Czechowice Refinery paid the amounts of VAT together with default interest. There is a possibility that as a result of the tax and court proceedings the amounts paid will be returned together with high interest.

Proceedings Related to Excise Tax for Certain Months of 1998

As a result of the inspections carried out by the tax authorities, there are six tax proceedings pending against the Czechowice Refinery, related to the decisions concerning excise tax for certain months of 1998, against which the Czechowice Refinery submitted appeals to the administrative court. The total value of the disputed claims under appeal proceedings is PLN 2,881 thousand.
The Czechowice Refinery paid the amounts of excise tax together with default interest. There is a possibility that as a result of the tax and court proceedings the amounts paid will be returned together with high interest.

Proceedings Related to Excise Tax for Certain Months of 2000 and 2001

By virtue of its decisions of December 7th 2004, the Head of the Customs Office of Bielsko-Biała instigated ex *officio* two proceedings with respect to the Czechowice Refinery in order to determine the amount of excise tax liability, and reopened seven proceedings in order to determine the excise tax liability for March.
Before conclusion of the above proceedings, it is difficult to determine whether the excise tax liabilities will be reassessed, and if so, what their amounts will be.

Proceedings Related to Corporate Income Tax for 1999

On January 21st 2005, the Czechowice Refinery received from the Head of the Second Tax Office of the Katowice Province in Bielsko-Biała a decision of January 19th 2005, No. PD/421-4/05/3710, on instigation *ex officio* of tax proceedings related to the 1999 corporate income tax. Before conclusion of the proceedings, it is difficult to determine whether any additional liabilities in respect of the 1999 income tax will be assessed and what their amounts will be.

Inspection Related to Excise Tax for Certain Months of 2004

The officers of the Customs Office of Bielsko-Biała conducted an inspection at the Czechowice Refinery in order to determine the correct amount of the excise tax payable for the period January 1st 2004 – September 30th 2004. As a result of the inspection, tax proceedings related to the above issue may be instigated with respect to the Czechowice Refinery.

V.3 Material Proceedings Instigated against the Company.

Proceedings Instigated by PETROECCO JV Sp. z o.o. for Compensation for Damages Incurred as a Result of Monopolistic Practices

On May 18th 2001, PETROECCO JV Sp. z o.o. brought an action against the Company whereby it seeks the courts' decision awarding an amount of PLN 6,975 thousand, together with statutory interest as at May 1st 1999, as compensation for damages incurred as a result of the Company's monopolistic practices, which involved selling BS base oils in a manner favouring some customers, whose orders were executed to a disproportionately higher extent than the orders of PETROECCO JV Sp. z o.o.

The use of the alleged monopolistic practices by the Company was confirmed by a decision of the Anti-Trust and Consumer Protection Authority of September 26th 1996, in which the Authority ordered the Company to abandon such practices. The Company appealed against the decision. The Provincial Court of Warsaw – the Anti-Monopoly Court, changed, by virtue of its decision of October 22nd 1997, only the wording of the decision and ordered the Company to abandon monopolistic practises. The cassation complaint against this decision filed by the Company was dismissed by the Supreme Court by virtue of its decision of June 2nd 1999.

The Regional Court of Gdańsk, by virtue of its decision of December 21st 2002, dismissed the action for compensation, fully complying with the Company's objection referring to the statute of limitation. However, this decision was overruled on December 4th 2003 by the Gdańsk Court of Appeals, in case No. I ACa 824/03, and submitted for re-examination by the District Court of Gdańsk. The Court of Appeals found that the reference to the statute of limitation was not justified. According to the Court, it was only on June 2nd 1999 (the date of the Supreme Court's ruling) that PETROECCO JV Sp. z o.o. became aware that the damage it incurred resulted from monopolistic practices giving rise to the Company's liability in tort, and it is as of that date, in the Court's opinion, that the three-year period of limitation of compensation claims should run.

As at the date of these condensed consolidated financial statements, the case is pending before the Regional Court of Gdańsk (First Instance Court) and its file No. is IX GC 134/04. The Company defends itself by raising substantive charges (it questions the fact that any damage was incurred by PETROECCO JV Sp. z o.o., the amount of the alleged damage, and the existence of the cause and effect relationship between the monopolistic practices and the damage). Following the hearing of June 2005, the Regional Court of Gdańsk ordered a court expert in accountancy and economics to draw up a report concerning the extent of damages which the plaintiff incurred as a result of Grupa LOTOS SA's activities. The date of the next hearing has not been fixed.

V.4 Court Proceedings Instigated by the Company or the Companies of Its Group

Court Proceedings Instigated by the Jasło Refinery against a Private Individual

On December 4th 2003, the Regional Court of Krosno issued, in the course of binding advice procedure, a decision in favour of the Jasło Refinery, whereby it ordered payment of PLN 4,829 thousand, together with interest, representing claims under unpaid invoices for goods sold (file No. VIII GNc 292/03). The order for payment became final. Due to the fact that on April 2nd 2004 the debtor was declared bankrupt, with a possibility of concluding an arrangement, the Jasło Refinery submitted to the judge-commissioner its claims in the total amount of PLN 7,668 thousand, including: (i) PLN 6,138 thousand – outstanding principal of the payment due for the goods sold; (ii) PLN 1,498 thousand – delayed payment interest; and (iii) PLN 32 thousand – costs of litigation before the Regional Court of Krosno related to the case. The claims of up to PLN 2,580 thousand, including the principal and interest, are not subject to the arrangement as they are secured on the bankruptcy estate by a security mortgage.

V.5 Material Proceedings Pending before the Competent Arbitration Court in Connection with the Activities of Petrobaltic and its Subsidiary

1. AB Geonafta , a subsidiary of Naftos Gavyba (hereinafter referred to as the Subsidiary) is a party to court proceedings against AB Svenska Petroleum Exploration (hereinafter referred to as SPE) related to the establishing of UAB Genciu Nafta, whose founders and shareholders are the Subsidiary and SPE. The litigation concerns applying the provisions of the Subsidiary's Articles of Association, and it was referred to the International Court of Arbitration at the International Chamber of Commerce (hereinafter referred to as the Arbitrator), which reached a final decision on October 30th 2003. The outcome of this case will remain unknown until the Arbitrator's award takes effect in the Lithuanian jurisdiction.

   Once the Arbitrator's decision has been confirmed and allowed, the Subsidiary will bear the following costs:

   a. The Subsidiary together with the Lithuanian government will reimburse SPE for the amount of USD 12,579 thousand along with interest calculated at the rate of 6% annually on that amount for the period from January 1st 2002 to the reimbursement date. If the Arbitrator's decision is confirmed in the Lithuanian jurisdiction, the Subsidiary will seek to have the Lithuanian government cover the liability in its entirety;

   b. The Subsidiary shall reimburse SPE for the amount of USD 312 thousand to cover the costs of court proceedings.

   Once the Arbitrator's decision has been confirmed and allowed, the Subsidiary will obtain the following sums:

   a. SPE will reimburse the Subsidiary for the amount of USD 1,325 thousand along with interest calculated at the rate of 6% annually on that amount for the period from April 6th 2002 to the reimbursement date;

   b. The Subsidiary will have the right to demand that the elected President of the Executive Board and the Chief Executive Officer of UAB Genciu Nafta be the candidates put forward by the Subsidiary's representatives;

   c. The Subsidiary will have the right to demand that its share in the profits from oil production by UAB Genciu Nafta be increased from 50% to 75%, with effect as of January 1st 2002;

   d. The Subsidiary will have the right to demand that UAB Genciu Nafta repay the debt which it owes to the Subsidiary in the amount of LTL 664 thousand.

   In 2004, dividend in the amount of LTL 5,973 thousand and an outstanding payment for deliveries and services in the amount of LTL 885 thousand were allegedly remitted to the Subsidiary by UAB Minijos Nafta. The funds were blocked by a court enforcement officer in Copenhagen due to the claims filed by SPE against the Subsidiary. The subsidiary appealed against the court enforcement officer's decision to the Danish Supreme Court.

As at the date of these condensed financial statements AB Geonafta has not settled the abovementioned payment and the amounts due in connection with the court proceedings, as their outcome remains unknown and will remain so until the Arbitrator's award takes effect in the Lithuanian jurisdiction.

On July 1st 2005, UAB Minijos Nafta's liability towards AB Geonafta expired as AB Geonafta obtained both sums in the aggregate amount of LTL 6,858 thousand.

2. Petrobaltic is currently involved in proceedings pending before the Arbitration Tribunal of VIAC (Vienna International Arbitration Centre), case No. SCH-4843, relating to (i) Petrobaltic SA's claim against Jade-Dienst GmbH to pay the amount of EUR 390 thousand and (ii) Jade-Dienst GmbH's counterclaim against Petrobaltic SA to pay the amount of EUR 814 thousand.

   According to Petrobaltic its statement of claim is fully justified in the light of the applicable laws, whereas the counterclaim is groundless and ought to be dismissed.

VI Information on Proceedings Relating to Accounts Payable or Receivable by the Parent Undertaking or its Subsidiaries, whose Aggregate Value Amounts to 10% or More of the Company's Equity

In the period January 1st – June 30th 2005, the Parent Undertaking was not a party to any proceedings concerning accounts payable or receivable by the Parent Undertaking or any of its subsidiaries, whose aggregate value would amount to 10% or more of the Company's equity.

VII Information on Non-Recurring Related Party Transactions

In the period January 1st – June 30th 2005, no non-recurring transactions with a value exceeding EUR 500 thousand occurred between the related undertakings of the Group, except for the one described in Note 15 and those itemised below:

1. On February 3rd 2005, the Supervisory Board of Grupa LOTOS SA consented to additional shareholder contributions to the share capital of LOTOS Paliwa Sp. z o.o. (wholly-owned subsidiary of Grupa LOTOS SA) in the amount of PLN 89,600 thousand, which should be made by June 30th 2006. On February 8th 2005, the Extraordinary General Shareholders Meeting of LOTOS Paliwa Sp. z o.o. approved additional contributions to the share capital in the amount of PLN 24,600 thousand, to be performed by February 10th 2005.

2. On March 31st 2005, Petrobaltic entered into additional agreements in connection with four loan agreements concluded in 2002-2004 with UAB Naftos Gavyba of Lithuania (a subsidiary in which Petrobaltic holds a 42.70% equity interest). The aggregate value of the loans, as at the respective agreement dates, totalled LTL 16,680 thousand and USD 716,414.49. Under the agreements, the parties agreed that the loans would be repaid by March 31st 2005. As part of an offset of mutual accounts, a part of the dividend payable for 2004 to Petrobaltic by UAB Naftos Gavyba was applied towards repayment of the loans and the related interest. The loan agreements have been fully settled. The offset, performed by virtue of the additional agreements, totalled LTL 19,221,827.43 (EUR 5,567,396.60, as translated at the mid exchange rate quoted by the NBP for March 31st 2005). The largest amount settled by way of the offset was LTL 9,905,429.55 (EUR 2,869,001.66, as translated at the mid exchange rate quoted by the NBP as on March 31st 2005) under loan agreement of September 23rd 2003.

3. On May 9th 2005, LOTOS Asfalt Sp. z o.o. concluded an agreement with the Instal-Rem - Monto-Rem Consortium which includes Rafineria Jasło Monto Rem Sp. z o.o. Under the agreement the Consortium, as the general contractor, agreed to modernise the asphalt production unit at the Jasło Branch of LOTOS Asfalt Sp. z o.o. Grupa LOTOS SA holds 100% of shares in LOTOS Asfalt Sp. z o.o. and an 80.01% equity interest in the Jasło Refinery, which holds 99.44% of the share capital of Rafineria Jasło Monto Rem Sp. z o.o. The agreement expires on February 28th 2006. The transaction is valued at PLN 12,499 thousand.

4. On May 31st 2005, LOTOS Paliwa Sp. z o.o. and the Jasło Refinery concluded an agreement, whereby the Refinery agreed to sell service stations to LOTOS Paliwa Sp. z o.o. The transaction was made as part of the process of streamlining the structure of the LOTOS Group. LOTOS Paliwa Sp. z o.o. and the Jasło Refinery are subsidiaries of Grupa LOTOS SA, in which Grupa LOTOS SA holds 100% and 80.01% of the shares, respectively. The transaction is valued at PLN 5,100 thousand.

5. On May 27th 2005, the District Court of Gdańsk, XII Commercial Division of the National Court Register, issued a decision on the entry in the National Court Register of a share capital increase at LOTOS Asfalt Sp. z o.o., up to PLN 2,000 thousand. Following the share capital increase, Grupa LOTOS SA holds 4,000 shares (comprising 100% of the share capital and of the total vote at the General Shareholders Meeting) in LOTOS Asfalt Sp. z o.o.

6. On June 17th 2005, the District Court of Gdańsk, XII Commercial Division of the National Court Register, issued a decision on the entry in the National Court Register of a share capital increase at LOTOS Lab Sp. z o.o., up to PLN 1,000 thousand. Following the share capital increase, Grupa LOTOS SA holds 2,000 shares (comprising 100% of the share capital) in LOTOS Lab Sp. z o.o.

7. On June 14th 2005, the District Court of Gdańsk, XII Commercial Division of the National Court Register, issued a decision on the entry in the National Court Register of a share capital increase at LOTOS Oil Spółka Akcyjna, up to PLN 2,000 thousand. Following the share capital increase, Grupa LOTOS SA holds 200,000 shares (comprising 100% of the share capital) in LOTOS Oil SA.

8. On June 23rd 2005, Grupa LOTOS SA and LOTOS Ekoenergia SA (subsidiary) concluded an agreement with Lockheed Martin Corporation and M.W. Kellogg. Under the agreement, Lockheed Martin Corporation is to perform, with the support of M.W. Kellogg, its offset obligations towards Grupa LOTOS SA and LOTOS Ekoenergia SA as part of the Comprehensive Technical Upgrade Programme of Grupa LOTOS SA. The Programme was included in the offset obligations that Lockheed Martin Corporation assumed under the Offset Agreement of April 18th 2003, concluded with the State Treasury of Poland in connection with the acquisition of F-16 jets.

9. On June 30th 2005, Statoil Polska Sp. z o.o. and Grupa LOTOS SA (Producer) and LOTOS Partner Sp. z o.o. (Supplier) concluded a contract, whereby Grupa LOTOS SA is to sell fuel to Statoil Polska Sp. z o.o. The contract term is 2006-2010. The value of the contract over the contract term has been estimated at PLN 8,320,000 thousand. If Statoil Polska Sp. z o.o. purchases less fuel than provided for in the agreement, then it will be obliged to pay consideration for the Producer's guarantee of the continuity of fuel supplies, as specified in the agreement.

VIII Loan Sureties Granted by the Parent Undertaking or its Subsidiaries and Guarantees Granted to Other Undertakings or Such Undertakings' Subsidiaries, if the Value of Such Sureties or Guarantees Equals 10% or More of the Company's Equity

Since January 1st to June 30th 2005, neither the Parent Undertaking nor any of its subsidiaries have granted to any undertaking or such undertaking's subsidiary within the Group any loan sureties or guarantees of the value equal to 10% or more of the Company's equity.

IX Information Material for the Assessment of the Situation of the Group, Including its Human Resources, Assets, Financial Standing and Performance, as well as any Changes Thereto, and Information Material for the Assessment of the Feasibility of the Parent Undertaking's Meeting its Obligations

Apart from the information provided below and the information contained in other sections of these condensed consolidated financial statements of the Group and in the notes thereto, there is no other information material for the assessment of the Group's situation, including its human resources, assets, financial standing and performance, as well as any changes thereto, or for the assessment of the feasibility of Company's meeting its obligations.

1. By virtue of the Regulation of the Minister of Finance of January 14th 2005 amending the Regulation on the exemptions from the excise tax, the excise tax relief for the Jasło and Czechowice Refineries has been changed as follows:
   a) transport relief was reduced from PLN 120 to PLN 96 per each tonne of crude oil for processing;
   b) relief related to the use in the production of fuels of components obtained from plastic waste processing in the specialist catalytic plastics processing units was reduced as follows:
      - from PLN 300 to PLN 240 per every 1,000 litres of diesel oil
      - from PLN 180 to PLN 144 per every 1,000 litres of motor gasolines.

2. On April 13th 2005, Petrobaltic SA and Energobaltic Sp. z o.o. signed Annex 4 to the shareholder loan agreement of November 12th 2001. The parties agreed on the extension of the deadlines for the payment of interest (scheduled for June 30th 2007 and December 20th 2007) and principal amount of the loan by Energobaltic Sp. z o.o.

3. On April 18th 2005, Bank Polska Kasa Opieki SA (the "Bank") confirmed the expiry of the surety granted for the liabilities of Miliana Shipping Company Ltd ("Miliana") under the loan agreement concluded between Miliana and the Bank on June 18th 2004 with the view to financing the purchase of a tanker. The expiry of the surety followed from the establishment of a lawful maritime mortgage on Miliana's tanker used for the transport of crude oil.

7. By virtue of the Resolution of the General Shareholders Meeting of UAB Naftos Gavyba, dated March 31st 2005, the company allocated LTL 26m dividend to Petrobaltic SA. In May 2005, approximately LTL 6.8m was disbursed to Petrobaltic SA (the outstanding portion of the dividend was offset against the loans advanced to Petrobaltic SA by UAB Naftos Gavyba – as described in Section VII.2).

8. On June 15th 2005, Grupa LOTOS SA sold its shares in the share capital of PPU Ciech SA. The transaction involved 285,300 shares in PPU Ciech SA with the par value of PLN 5 per share. The total par value of the sold shares was PLN 1,426 thousand. The selling price was PLN 26.80 per share, the transaction value totalled PLN 7,646 thousand, and the gain on the sale of shares amounted to PLN 6,219 thousand.

X Factors Which, in Grupa LOTOS SA's Opinion, are Likely to Affect the Performance of the LOTOS Group Over at Least the Next Quarter

In the opinion of the Company's Executive Board, the factors listed below are likely to affect the performance of the Company and the Group over at least the next quarter of 2005:

- quotation prices of crude oil and petroleum products
- PLN/USD exchange rate
- level of supply of, and demand for, petroleum products
- change of legal regulations with respect to excise tax relief enjoyed by the Southern Refineries, which may lead to a drop in the economic effectiveness of these undertakings
- production capacity expanded as a result of the overhaul shutdown from 4.5m tonnes to 6m tonnes of crude oil processed per year
- implementation of *Prosta* Service Station Network Development Programme, which entails contraction of loans by LOTOS Paliwa Sp. z o.o., a subsidiary, and the development of retail sales.

XI Signatures of the Executive Board Members

President of the Executive Board, CEO	
	Paweł Olechnowicz
Vice-President of the Executive Board, OEO	
	Marek Sokołowski
Vice-President of the Executive Board, Trade Director	
	Wojciech Kowalczyk